

*Government Orders*

The amendments to the Small Business Loans Act before us today were drafted in the same spirit as the changes giving a new impetus to the Business Development Bank of Canada. In both cases, the underlying motive is the same: providing an appropriate policy framework that supports the development and prosperity of Canadian small businesses from coast to coast.

Given its broad scope for action and implementation under the act, the small business loan guarantee program plays a large role in the launching of small businesses and in other aspects of their operations across Canada. It also has an impact on similar Canadian programs.

• (1530)

The difficulties experienced by small businesses in securing loans on reasonable terms have been described in great detail in recent years. The extensive consultations held with representatives of both borrowers and lenders during the drafting of Bill C-99 showed that most stakeholders are concerned mainly about access to financing and not so much about its cost. As far as access to financing is concerned, both borrowers and lenders confirmed the usefulness of the small business loan program as administered under the act.

They recognized that the program was especially helpful in times of economic slowdown. With the exception of farms, religious businesses and charities, Canadian based businesses with annual revenues of \$5 million or less may apply for loans under this act.

Almost every small business operating in Canada can now get a loan under the program. Loans made under the act are approved by private sector lenders and guaranteed by the Government of Canada. Loans can be as high as \$250,000 but in the past most loans were for less than \$50,000.

The small business loans program is an important tool to encourage lenders to provide access to debt financing for high risk small businesses, including those which find themselves in one of the following situations: they wish to borrow a small amount or obtain a start up loan; the goods that they must provide as collateral are inadequate or insufficient; they wish to obtain funds to buy new technologies or specialized material; they are active in sectors which are generally considered more risky, such as tourism, retail sales or services; they are not located in urban centres, or they are in regions which are not major economic activity centres.

Clearly, the small business loans program is important to small businesses. Since 1961, when the act came into effect, over 420,000 loans amounting to more than \$15.5 billion were extended to small businesses.

Given the importance of the loan program run under the act, it was a real concern when its annual deficit increased to the point where it might have exceeded \$100 billion per year. Some measures had to be taken, and they were taken. Again, this shows how the program has constantly evolved, thanks to the

Canadian government's ability to implement the necessary changes.

Two major changes were made to the program on April 1, 1995. An annual fee of 1.25 per cent is now collected from each lender, on the average outstanding balance of loans granted after March 31, 1995. The maximum yearly rate which a lender can set under the program was increased by 1.25 per cent, making it equivalent to the prime rate plus 3 per cent for floating rate loans, and equivalent to the residential mortgage rate plus 3 per cent for fixed rate loans. Thanks to these changes, which will be followed by those proposed in the bill before the House, the program will be completely self financing and can therefore be maintained.

• (1535)

Future access to the loan program by small businesses is now basically guaranteed, but the changes included in Bill C-99 are necessary to complete the process. The bill will make it possible to complete the transition to full cost recovery and to improve the mechanisms of the program relating to borrowers and institutions making small loans.

Among other things, the bill will accelerate the coming into force of the reduction from 90 per cent to 85 per cent in the amount of the state's loan guarantee under the act; authorize the making of regulations for setting processing fees; authorize the making of a regulation on the release of securities and personal guarantees accepted by lenders against repayment of small business loans under the act.

It will also serve to improve the situation of institutions making small loans, from the point of view of applications involving guarantees; to ensure that the small businesses loans program can be adapted more promptly to changes in the program and in the economy, by allowing readjustments in the proportions of the guarantee via regulation rather than legislation.

The government is clear in its intent to support small business, which it considers the motor of Canada's economic growth. It has been pointed out to the government on numerous occasions that the best way of helping business, whether small or big, was to control the deficit. The modifications to the Small Business Loans Act are obviously proposed with this in mind.

Thanks to the introduction of a mechanism for users' fees, this program will no longer add to the federal deficit. I would like to take this opportunity to again point out the particularly pleasing fact that transition to full cost recovery has received unanimous support from all interested parties consulted during the drafting of Bill C-99, lenders and borrowers alike.

Bill C-99 will be the end point in a process which will allow a program that is already a nationwide success to continue that success. The amendments will ensure that the Small Business Loans Act remains an important mechanism for implementing government policy in order to foster the growth of small